

Message Text

CONFIDENTIAL

PAGE 01 KUALA 01575 01 OF 02 240308Z

ACTION EB-08

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06

IO-13 TRSE-00 COME-00 AF-10 ARA-10 EA-10 EUR-12

NEA-10 INT-05 GSA-02 STR-07 OMB-01 ITC-01 OIC-02

/140 W

-----010462 240326Z /65

R 240130Z FEB 78

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2569

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY LA PAZ

AMEMBASSY LONDON

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 KUALA LUMPUR 1575

FOR EB ASST. SECRETARY KATZ AND EA ASST. SECRETARY HOLBROOKE
SINGAPORE PLEASE PASS EA DEPT. ASST. SECRETARY HEGINBOTHAM

E.O. 11652: GDS

TAGS: EMIN, MY

SUBJECT: U.S. TIN POLICY

REFS: A) KUALA LUMPUR 0316, B) STATE 8271, C) LONDON 1314

D) KUALA LUMPUR 0411

1. SUMMARY: THE MALAYSIANS WERE RELIEVED THAT AN ACRIMONIOUS
CONFRONTATION WAS AVOIDED AT THE RECENT INTERNATIONAL TIN
COUNCIL MEETING, AND THEY HOPE TO CONTINUE A CONSTRUCTIVE
DIALOGUE WITH US ON TIN. THE BASIC ISSUE BETWEEN PRODUCERS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUALA 01575 01 OF 02 240308Z

AND CONSUMERS REMAINS, HOWEVER, AND IN PREPARING FOR THE
NEXT ITC MEETING IN APRIL, WE SHOULD BE CAREFUL TO TAKE
INTO ACCOQNT SOME OF THE BROADER BILATERAL AND REGIONAL
ISSUES THAT THE CURRENT DISPUTE OVER TIN PRICES COULD ULTIMATELY
AFFECT. IN TERMS OF U.S.MALAYSIAN RELATIONS, FOR EXAMPLE, WE
SHOULD CONSIDER ACCEPTING AT FACE VALUE RECENT MALAYSIAN
STATEMENTS THAT THEY SHARE OUR CONCERN OVER DECLINING TIN

PRODUCTION AND ARE TAKING SOME MEASURES TO IMPROVE THE SITUATION, WHILE AT THE SAME TIME CONTINUING TO URGE THEM TO TAKE FURTHER REASONABLE STEPS TO MEET THEIR OBLIGATIONS UNDER THE TIN AGREEMENT TO INCREASE PRODUCTION. WE SHOULD ALSO CONSIDER CAREFULLY HOW THE TONE AS WELL AS THE SUBSTANCE OF OUR POSITION COULD IMPACT ON OUR EMERGING RELATIONSHIP WITH ASEAN, THREE OF WHOSE MEMBERS PRODUCE 60 PERCENT OF THE WORLD'S TIN. END SUMMARY.

2. IN A RECENT CONVERSATION THE NEW MINISTRY OF PRIMARY INDUSTRIES, DATUK TAIB, EXPRESSED TO ME HIS SATISFACTION THAT ACRIMONIOUS CONFRONTATION HAD BEEN AVOIDED AT THE LATEST ITC MEETING. HE REITERATED HIS DESIRE (REF. D) TO MAINTAIN A DIALOGUE TO INCREASE OUR MUTUAL UNDERSTANDING ON TIN AND TO SEEK WAYS TO RESOLVE PRODUCER/CONSUMER ISSUES IN THE ITC.

3. I BELIEVE WE SHOULD TAKE TAIB UP ON THIS, AND WITH SUCH A DIALOGUE IN MIND, I WISH TO COMMENT FURTHER ON OUR CURRENT STANCE IN THE ITC AND TO URGE THE DEPARTMENT TO TAKE ANOTHER HARD LOOK AT THAT STANCE BEFORE THE APRIL ITC MEETING. I REALIZE I CAN ONLY COMMENT FROM THE VANTAGE POINT OF KUALA LUMPUR AND U.S.-MALAYSIAN (AND TO SOME EXTENT U.S.-ASEAN) RELATIONS, BUT MALAYSIA IS AFTER ALL THE WORLD'S LARGEST PRODUCER OF TIN AND, I BELIEVE, IS GENUINELY CONCERNED AT THE POTENTIAL LONG-RANGE IMPACT ON THE TIN INDUSTRY OF RUNAWAY PRICING.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUALA 01575 01 OF 02 240308Z

4. THE DEPARTMENT'S MESSAGE (REF. B) SETTING FORTH IN DETAIL OUR PRESENT POSITION ON TIN WAS VERY HELPFUL, BUT I STILL DO NOT BELIEVE IT TAKES INTO ACCOUNT FULLY ENOUGH A NUMBER OF FACTORS THAT MAY WELL BE CONTRIBUTING TO A EQUILIBRIUM PRICE HIGHER THAN HISTORIAL LEVELS, INCLUDING HIGHER COSTS OF IMPORTER MACHINERY AND FUEL, LESS ACCESSIBLE RESERVES, AND THE INCREASED COST OF POTENTIAL SUBSTITUTES SUCH AS ALUMINUM AND PLASTICS. THE FACT THAT THE PRICE REMAINS HIGH DESPITE WIDELY-ANTICIPATED DISPOSALS FROM THE U.S. STRATEGIC STOCKPILE TENDS TO SUPPORT THIS HYPOTHESIS. MORE-OVER, WHILE I AGREE THAT PRODUCER GOVERNMENTS SHOULD DO MORE TO INCREASE PRODUCTION, THERE APPEAR TO BE SERIOUS LIMITS TO HOW QUICKLY AND EXTENSIVELY EVEN THE MOST POSITIVE (FROM OUR STANDPOINT) DECISIONS BY THEM NOW COULD ACTUALLY INFLUENCE SUPPLY.

5. MY MOST SERIOUS RESERVATION CONCERNING OUR PRESENT POSITION, HOWEVER, IS IN ITS TONE, PARTICULARLY THE IMPRESSION IT GIVES THAT WE BELIEVE MALAYSIA AND OTHER PRODUCERS HAVE DELIBERATELY RESTRAINED PRODUCTION (OR ACQUIESCED IN ITS DECLINE) TO "RATCHET UP" THE PRICE OF TIN. I THINK THAT IN ADDITION TO THE

ECONOMIC FACTORS THEY CITE AND WHICH WE HAVE ALREADY REPORTED (REF. A) THE MALAYSIANS HAVE SOME VITAL DOMESTIC POLITICAL OBJECTIVES WHICH OVERRIDE THE SPECIFIC ECONOMIC CONSIDERATIONS THAT DETERMINE THEIR TIN POLICY. MOREOVER, DESPITE THESE OVERRIDING POLITICAL OBJECTIVES, THEY ARE GRAPPLING SERIOUSLY WITH WAYS WHICH WILL STIMULATE TIN PRODUCTION OVER THE LONGER TERM AND HAVE HAVING SOME SUCCESS THAT WE SHOULD ACKNOWLEDGE.

6. FOR EXAMPLE, THE PRIMARY CONCERN OF GOM POLICYMAKERS IS THE "NEW ECONOMIC POLICY", DESIGNED TO GIVE ETHNIC MALAYS A MUCH GREATER STAKE IN THE GENERAL ECONOMIC PROSPERITY MALAYSIA ENJOYS. ONE OF THIS POLICY'S SIDE EFFECTS ON THE TIN INDUSTRY, WHICH IN THE GRAVEL-PUMP SECTOR IS DOMINATED BY ETHNIC CHINESE, HAS BEEN TO DISCOURAGE NEW INVESTMENT IN GRAVEL-PUMPING
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KUALA 01575 01 OF 02 240308Z

AND TO ADD UNCERTAINTIES TO THE SITUATION, AT LEAST FOR THE SHORT TERM. THIS WAS NOT THE INTENT OF THE POLICYMAKERS, BUT IT WOULD FRANKLY BE UNREALISTIC TO EXPECT THE GOM TO MODIFY ITS BASIC LONG-RANGE DEVELOPMENT POLICY SUBSTANTIALLY IN THIS REGARD JUST TO SATISFY TIN CONSUMERS.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KUALA 01575 02 OF 02 240320Z
ACTION EB-08

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
IO-13 TRSE-00 COME-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 INT-05 GSA-02 STR-07 OMB-01 ITC-01 OIC-02
/140 W

-----010614 240327Z /63

R 240130Z FEB 78
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 2570
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY KINSHASA
AMEMBASSY LA PAZ
AMEMBASSY LONDON

AMEMBASSY SINGAPORE
AMEMBASSY TOKYO
USMISSION GENEVA

C O N F I D E N T I A L SECTION 2 OF 2 KUALA LUMPUR 1575

FOR EB ASST. SECRETARY KATZ AND EA ASST. SECRETARY HOLBROOKE
SINGAPORE PLEASE PASS EA DEPT. ASST. SECRETARY HEGINBOTHAM

7. SIMILARLY, WE CTITICIZE THE GOM FOR DOING LITTLE TO OPEN
NEW LANDS TO TIN MINES. BUT THE CONTROL OF LANDS IS
CONSTITUTIONALLY IN THE HANDS OF THE STATES AND IS ONE OF THE
LATTER'S BASIC (ALMOST ONLY) ECONOMIC ASSETS. HERE AGAIN,
THE GOM IS NOT GOING TO TACKLE THIS BASIC CONSTITUTIONAL ISSUE
IN RESPONSE TO PRESSURES FROM TIN CONSUMERS. HOWEVER, SOME
NEW MEASURES ARE BEING TAKEN TO GET AROUND THIS PROBLEM,
SUCH AS THE LARGE NEW PLANNED OPERATION AT KUALA LANGGAT IN
SELANGOR STATE WHICH GIVES THE STATE A HEFTY SHARE IN A JOINT
VENTURE. THIS HAS STIMULATED A NEW INTEREST IN THE STATE
GOVERNMENT IN OPENING NEW LANDS TO TIN MINING.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUALA 01575 02 OF 02 240320Z

8. IN TAX POLICY THE GOM HASRECENTLY TAKEN SOME STEPS TO
REDUCE PRODUCERS' TAXES. IT COULD DO MORE, AND WE SHOULD
CONTINUE TO URGE THIS. BUT THERE ARE POLITICAL LIMITS TO
THIS ALSO, AS WE HAVE DESCRIBED PREVIOUSLY (REFS. A AND D). IT
IS NOT ENTIRELY CLEAR TO US IN ANY CASE THAT AT CURRENT HIGH
PRICES, HIGH TAXES ARE OF SUCH OVERWHELMING SIGNIFICANCE IN
RESTRICTING PRODUCTION HERE.

9. I AM NOT SUGGESTING WE BUY THE MALAYSIAN ARGUMENTS WHOLE:
ON THE CONTRARY, I BELIEVE WE SHOULD KEEP THE PRESSURE ON TO
THE EXTENT WE CAN REASONABLY EXPECT RESULTS. BUT I DO
SUGGEST THAT WE CAN DEMONSTRATE MORE UNDERSTANDING OF THEIR
POSITION AND PERHAPS SOME MORE REALISM IN OUR OWN IF WE ARE TO
CONTRIBUTE TO A RESOLUTION OF THE ISSUES CONFRONTING US IN
THE ITC. I AM CONCERNED, FOR EXAMPLE, THAT SOME MIDDLE-LEVEL
GOM OFFICIALS ARE ALREADY COMPLAINING THAT THE U.S. ENTRY INTO
THE ITC HAS CAUSED NOTHING BUT DISRUPTION SO FAR. THIS IS
OBVIOUSLY SELF-SERVING, BUT IT DOES SUGGEST THAT, WHILE OUR
ENTRY WAS INITIALLY GREETED WITH ENTHUSIASM AND MADE A
POSITIVE IMPACT HERE, THE BLOOM IS ALREADY OFF THE ROSE
AND THE MALAYSIANS ARE WATCHING CLOSELY TO SEE WHAT WE DO FOR
THEM LATELY ON TIN.

10. IN THIS CONNECTION, I BELIEVE THAT THE MALAYSIANS WOULD
BE MORE INCLINED TO ACCEPT A STATED RELUCTANCE ON OUR PART TO
DISCUSS TIN PRICING BEFORE CONGRESSIONAL DECISIONS ON A U.S.
TIN BUFFER STOCK CONTRIBUTION AND/OR RELEASES FROM THE U.S.

STRATEGIC STOCKPILE, THAN WHAT APPEARS TO BE OUTMODED
CRITICISMS BY US OF THEIR OWN POLICIES.

11. THERE ARE ALSO SOME BROADER CONSIDERATIONS TO KEEP IN
MIND AS WE CONSIDER OUR TIN POLICY. SEEMING INTRASIGENCE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUALA 01575 02 OF 02 240320Z

ON TIN, ON MATTER HOW WELL-FOUNDED ON TECHNICAL GROUNDS,
COULD GIVE THE IMPRESSION THAT THE USG MAY BE ACTING INCONSISTENTLY
WITH OUR FREQUENTLY EXPRESSED INTEREST IN A COMMON FUND, THE
NORTH-SOUTH DIALOGUE, AND ASEAN. IF WE ARE VIEWED AS OBSTRUCTIONIST
IN THE ITC, THE ARGUMENT THAT U.S. MEMBERSHIP IN THE TIN AGREE-
MENT IS PROOF OF OUR WILLINGNESS TO EXAMINE COMMODITY AGREEMENTS
ON A CASE-BY-CASE BASIS MAY APPEAR SOMEWHAT HOLLOW. A NUMBER
OF THE TIN PRODUCERS BELONG TO THE MODERATE CAMP IN THE G-77,
AND IT IS TO OUR BENEFIT FOR THEM TO CONCLUDE THAT THEIR LONG-RANGE
INTERESTS ARE BEST SERVED BY COOPERATION WITH THE U.S. ON COMMODITY
ISSUES.

12. FROM OUR PERSPECTIVE, ASEAN CONSIDERATIONS TAKE ON MAJOR
IMPORTANCE AND IT CAN BE ARGUED THAT TIN HAS MAJOR ASEAN
OVERTONES SINCE THREE OF THE MEMBER STATES (MALAYSIA, THAILAND
AND INDONESIA) ACCOUNTED FOR ROUGHLY 60 PERCENT OF THE WORLD
PRODUCTION OF TIN-IN-CONCENTRATE IN 1976. A FOURTH, SINGAPORE,
ALSO BENEFITS FROM ITS ROLE AS AN ENTREPOT PORT FOR COMMODITIES,
INCLUDING TIN. THESE COUNTRIES NOT ONLY QUALIFY AS MODERATES
AMONG THE G-77 NATIONS, BUT THEIR MEMBERSHIP IN ASEAN GIVES
THEM ADDED IMPORTANCE IN OUR OVERALL EAST ASIAN POLICY. ONE
OF THE MOST DIFFICULT AREAS WE ENCOUNTER WITH ASEAN IS NOT
BEING ABLE TO RESPOND TO MANY OF THEIR REQUESTS BECAUSE OF
OUR GLOBAL APPROACH TO MOST ECONOMIC ISSUES. HOWEVER, WHEN A
ISSUE OF IMPORTANCE TO THEM SUCH AS TIN COMES ALONG, LITTLE
OR NO CONSIDERATION APPEARS TO BE GIVEN TO THE ASEAN IMPLICA-
TIONS OF U.S. OPPOSITION TO THEIR POSITION.

13. I STRONGLY BELIEVE THAT WE SHOULD CONTINUE TO URGE
MALAYSIA AND OTHER PRODUCERS TO STIMULATE TIN PRODUCTION,
WHICH THEY AS PRODUCERS ARE OBLIGATED TO DO UNDER THE TERMS
OF THE ITA IN TIMES OF DEFICIT. WE SHOULD, HOWEVER, RECOGNIZE
THE ACTIONS THEY HAVE TAKEN AND ARE TAKING, AS WELL AS THE
GENUINE LIMITATIONS ON THEIR ABILITY TO ACT, AND KEEP IN MIND
THE OTHER ISSUES THAT IMPACT ON OUR POLICY IN THE ITC.
EARLY ACTION ON OUR OWN PART, I.E., OUR BUFFER STOCK CONTRIBUTION
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KUALA 01575 02 OF 02 240320Z

AND OUR GSA DISPOSAL PROGRAM, WOULD ALSO HELP TO DISPERSE MUCH

OF THE PREVAILING UNCERTAINTY AND POTENTIAL ACRIMONY IN THE
SITUATION.
MILLER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUALA01575
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780085-0419
Format: TEL
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780217/aaaaaojl.tel
Line Count: 281
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1ed138d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 KUALA LUMPUR 316, 78 STATE 8271, 78 LONDON 1314
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3489966
Secure: OPEN
Status: NATIVE
Subject: U.S. TIN POLICY
TAGS: EMIN, MY, US
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/1ed138d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014